

Message Text

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ACTION EB-11

INFO OCT-01 ARA-16 ADP-00 AGR-20 CEA-02 CIAE-00 COME-00

DODE-00 FRB-02 H-03 INR-10 L-03 LAB-06 NSAE-00 NSC-10

PA-03 RSC-01 AID-20 CIEP-02 SS-15 STR-08 TAR-02

TRSE-00 USIA-15 PRS-01 OMB-01 RSR-01 /153 W

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P 201420Z JUL 73

FM AMEMBASSY BOGOTA

TO SECSTATE WASHDC PRIORITY 8548

C O N F I D E N T I A L BOGOTA 5975

E.O. 11652: GDS

TAGS: EAGR

SUBJECT: COLOMBIA'S PL-480 REQUEST FOR FY 1974

PASS USDA/EMS FOR MEAD

REF: (A) BOGOTA 5846 (B) TOFAS 72

1. IDEMA MANAGER LUIS GUILLERMO VELEZ REEMPHASIZED TODAY IN CONVERSATIONS WITH AGATT HIGH LEVEL GOC CONCERN OVER THE LEVEL AND TIMING OF THE FY 1974 PL-480 WHEAT AGREEMENT. HE INDICATED THAT THE GOC FACES A SERIOUS POLITICAL PROBLEM IF THE FULL 150,000 MT REQUEST IS NOT MET AND IF A SUBSTANTIAL PART OF THIS WHEAT IS NOT SHIPPED BEFORE DECEMBER 31.

2. THE POLITICAL PROBLEM DERIVES FROM THE FACT THAT IN AN EFFORT TO HOLD DOWN INFLATION DUE IN MAJOR PART TO DOMESTIC PRODUCTION DEFICITS THE GOC HAS BEEN BUYING GRAINS AT CURRENT HIGH PRICES AND RESELLING AT THE LOWER INTERNAL PRICES WITH THE GOVERNMENT ABSORBING THE DIFFERENCE WHICH FOR SOME CROPS HAS BEEN SUBSTANTIAL. THE PROBLEM HAS BECOME SERIOUS AS PRODUCERS GROUPS HAVE SEIZED ON THIS AND MOUNTED A STRONG PRESS CAMPAIGN IN THE LAST TWO DAYS TO THE EFFECT THAT THE GOVERNMENT IS SUBSIDIZING FOREIGN PRODUCERS INSTEAD OF COLOMBIAN
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FARMERS. THE COLOMBIAN PARLIAMENT HAS CALLED FOR AN INVESTIGATION

AND HAS CITED THE MINAG AND VELEZ TO APPEAR IN AUGUST.

3. VELEZ HOPES TO SUCCESSFULLY COUNTER THIS ATTACK BY STATING THAT GOC IMPORTS HAVE BEEN MADE NECESSARY BY DOMESTIC SHORTFALLS, THAT THE GOC HAS SUBSIDIZED PRICES TO CONSUMERS TO DAMPEN INFLATIONARY

PRESSURES AND THAT IN ADDITION TO COMMERCIAL GRAIN IMPORTS THE GOC HOPES TO NEGOTIATE AN AGREEMENT TO PURCHASE 150,000 MT OF PL-480 2#3-5 5#8 63-4 UNDER FINANCIAL TERMS FAVORABLE TO THE COUNTRY. HE FEELS AND WE AGREE THAT IF HE CANNOT INDICATE THAT THE GOC HAS OBTAINED AT LEAST A PRELIMINARY PL-480 SUPPLY COMMITMENT DURING THE AUGUST HEARINGS THAT THE GOVERNMENT WILL BE FORCED TO RAISE INTERNAL SUPPORT PRICES. THIS WOULD ADD MORE FUEL TO THE ALREADY STRONG INFLATIONARY PRESSURES AND CAUSE PREDICTABLE DECLINES IN GRAIN CONSUMPTION AND IMPORTS.

4. HE ALSO STATED THAT THE GOC NEEDS THE MAXIMUM POSSIBLE PL-480 PROGRAM THIS YEAR IN ORDER TO EASE THE BUDGETARY PRESSURE CAUSED BY THE OUTLAYS NECESSARY TO SUBSIDIZE THE ANTI-INFLATIONARY POLICY. THIS BUDGETARY PROBLEM-I.E., LACK OF FUNDS - IS ALSO THE REASON THE GOC NEEDS THE PL-480 WHEAT BEFORE DECEMBER 31.

5. VELEZ IS PLANNING A TRIP TO WASHINGTON TO MEET WITH USG OFFICIALS AUGUST 3-7 IN AN ATTEMPT TO OBTAIN A PRELIMINARY COMMITMENT ON THE SIZE OF THE FY 1974 PROGRAM AND TO PRESS FOR NEGOTIATIONS ASAP BUT IN NO EVENT LATER THAN EARLY OCTOBER SO THAT PA'S CAN BE ISSUED AND SHIPMENTS MADE BEFORE DECEMBER 31. HE FEELS THAT IF THE TEXT OF THE CURRENT AGREEMENT IS MAINTAINED THE NEGOTIATIONS COULD BE CONCLUDED QUICKLY.

6. THE COLOMBIAN EMBASSY IN WASHINGTON WILL BE COORDINATING ARRANGEMENTS FOR VELEZ VISIT. WE HAVE ALSO REQUESTED THROUGH THE AGATT FAS ASSISTANCE IN ARRANGING APPOINTMENTS WITH USDA OFFICIALS AND TRADE GROUPS.

COMMENT. EMBASSY CONTINUES TO STRONGLY RECOMMEND FULLY MEETING THE GOC REQUEST AND HOPES THAT EVERY EFFORT WILL BE MADE TO RESPOND FAVORABLY TO VELEZ'S REQUESTS FOR A PRELIMINARY SUPPLY COMMITMENT AND FOR PROMPT NEGOTIATIONS ON THE FY 1974 AGREEMENT.

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8. THE FOOD INFLATION SITUATION HERE IS SERIOUS AND PRESENTS A SERIOUS POLITICAL PROBLEM TO THE GOVERNMENT. THIS IS PARTICULARLY TRUE AS THIS IS A PRE-ELECTION PERIOD AND EXTREMIST ELEMENTS ARE SURE TO EXPLOIT THIS ISSUE.

PL-480 WILL HELP MEET NOT ONLY THE DEFICIT WHEAT PROBLEM BUT WILL AT THE SAME TIME PROVIDE THE GOC WITH THE MEANS TO FIGHT INFLATION WITHOUT CONTRIBUTING TO THE FURTHER DETERIORATION

OF THE ALREADY TIGHT BUDGET SITUATION.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 20 JUL 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973BOGOTA05975
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS WHITE
Errors: N/A
Film Number: n/a
From: BOGOTA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730721/aaaaapis.tel
Line Count: 117
Locator: TEXT ON-LINE
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 73 (A) BOGOTA 5846 (B) TOFAS 72
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 18 JAN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <18-Jan-2002 by collinp0>; APPROVED <08 FEB 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: COLOMBIA'S PL-480 REQUEST FOR FY 1974 PASS USDA/EMS FOR MEAD
TAGS: EAGR
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005